



# UMDONI MUNICIPALITY

TOGETHER BUILDING UNITY – SIYAKHISANA – TESAME BOU ONS EENHEID

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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**UMDONI MUNICIPALITY**

TOGETHER BUILDING UNITY – SIYAKHISANA – TESAME BOU ONS EENHEID

**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**CERTIFICATION OF ANNUAL FINANCIAL STATEMENTS**

I am responsible for the preparation of these annual financial statements, which are set out on pages XX to XX in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 26 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

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**DD NAIDOO**  
**MUNICIPAL MANAGER**  
**UMDONI MUNICIPALITY**  
**19 August 2010**



# UMDONI MUNICIPALITY

TOGETHER BUILDING UNITY – SIYAKHISANA – TESAME BOU ONS EENHEID

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### STATEMENT OF FINANCIAL PERFORMANCE

		Actual		Budget	
Notes	2010	2009	2010	2009	
	R	R	R	R	
REVENUE					
Revenue from Non Exchange Transactions					
Property rates	20	45 473 217	42 751 526	45 349 867	43 357 392
Property rates - penalties and collection charges		2 995 973	3 565 530	2 600 000	2 951 160
Fines		889 640	748 302	1 689 670	524 000
Licences and permits		5 029 220	4 906 028	5 113 300	4 227 988
Government grants and subsidies	22	129 500 389	78 834 302	23 272 483	33 566 149
Rental of facilities and equipment		3 240 806	2 700 223	3 748 900	3 611 642
Public contributions and donations		-	21 251	-	26 489
Revenue from exchange transactions					
Service charges	21	6 319 417	6 226 015	6 270 334	6 358 215
Interest earned		22 329 410	8 967 453	7 033 500	3 003 118
Other income	23	3 552 913	2 156 067	3 370 986	3 942 074
Profit from the sale of council property		-	3 612 036	-	4 700 000
TOTAL INCOME		219 330 985	154 488 733	98 449 040	106 268 227
EXPENDITURE					
Employee related costs	24	49 099 857	42 688 732	45 204 178	38 628 025
Remuneration of Councillors	25	4 396 181	3 844 297	4 453 000	3 945 000
Depreciation	39	10 889 539	7 073 640	3 550 122	2 935 000
Repairs and maintenance		5 472 579	5 559 370	6 760 958	7 302 392
Interest paid	26	97 901	95 781	886 600	754 182
Contracted services	29	10 815 558	37 639 214	10 935 928	19 769 295
General expenses	30	26 570 537	19 435 780	20 510 203	20 316 079
Contributions to Provisions	27	3 041 680	11 254 485	5 910 246	12 319 150
Refuse site rehabilitation	6	355 350	331 203	220 000	200 000
TOTAL EXPENDITURE		110 739 180	127 922 501	98 431 235	106 169 123
SURPLUS FOR THE YEAR		108 591 805	26 566 231	17 805	99 104



# UMDONI MUNICIPALITY

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## ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2010

### STATEMENT OF FINANCIAL POSITION

	Notes	2010 R	2009 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>			
Accumulated surplus	1	246 425 882	138 224 733
Housing Development Fund	2	31 623 553	34 302 931
		<b>278 049 435</b>	<b>172 527 664</b>
<b>Non-current liabilities</b>			
Long term liabilities	3	1 277 305	183 094
Provision for Post retirement medical benefits	4	11 453 412	7 810 606
Provision for Long service awards	5	739 130	590 228
Provision for Refuse site rehabilitation	6	2 804 850	2 449 500
Provision for Staff Leave	12	4 009 835	3 295 530
Other Provisions		-	-
		<b>20 284 533</b>	<b>14 328 958</b>
<b>Current liabilities</b>			
Current portion of long term liabilities	3	1 501 429	1 598 024
Current portion for liabilities for medical aid benefits	4	357 468	309 463
Current portion of liabilities for long service awards	5	204 832	232 778
Current portion of other provisions		-	234 000
Unspent conditional grants and receipts	9	268 222 348	360 793 714
Accounts Payable	8	24 753 191	10 357 209
Cash and cash equivalents	19	2 787 957	4 843 558
		<b>297 827 225</b>	<b>378 368 745</b>
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>596 161 193</b>	<b>565 225 368</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11,40	258 554 960	163 974 942
Investments	13	-	-
Long-term receivables	14	-	-
		<b>258 554 960</b>	<b>163 974 942</b>
<b>Current assets</b>			
Current portion of long term receivables	14	-	4 278
Inventory	15	36 312	26 200
Consumer receivables	16	26 006 551	26 255 100
Other receivables	17	12 836	3 091 096
VAT	18	7 474 131	5 724 654
Short term investments	13	303 812 341	365 988 248
Cash and cash equivalents	19	264 062	160 849
		<b>337 606 233</b>	<b>401 250 425</b>
<b>TOTAL ASSETS</b>		<b>596 161 193</b>	<b>565 225 367</b>



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TOGETHER BUILDING UNITY – SIYAKHISANA – TESAME BOU ONS EENHEID  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**CASH FLOW STATEMENT**

	Notes	2009 R	2008 Restated R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from (utilised in ) operations	31	90 879 589	30 201 360
Interest received		22 329 410	8 946 549
Interest paid		-97 901	-95 781
<b>Net Cash from (utilised in ) operating activities</b>		<b>113 111 099</b>	<b>39 052 128</b>
<b>CASH FLOWS FROM (UTILISED IN) INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		-108 158 195	-43 712 311
Proceeds on disposal of property, plant and equipment		-	-
(Increase)/decrease in non-current receivables		-	1 566
(Increase)/decrease in non-current investments		-	47 853
<b>CASH (UTILISED IN) GENERATED FROM INVESTING ACTIVITIES</b>		<b>-108 158 195</b>	<b>-43 662 892</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New loans raised/ (repaid)		997 617	-274 284
Increase in liability for retirement and long service		-3 791 708	-510 404
<b>Net cash generated from / (utilised in ) financing activities</b>		<b>-2 794 092</b>	<b>-784 688</b>
<b>NET INCREASE (DECREASE) IN CASH EQUIVALENTS</b>		<b>2 158 813</b>	<b>-5 395 452</b>
<b>Cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year	19	-4 682 709	712 743
Cash and cash equivalents at the end of the year	19	-2 523 896	-4 682 709
		<b>2 158 813</b>	<b>-5 395 452</b>



**UMDONI MUNICIPALITY**  
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**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ACCOUNTING POLICIES**

## **1 BASIS OF PRESENTATION**

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the Accounting Standards as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 516, dated 9 May 2008 and also in terms of the standards and principles contained in Directive 4 issued by the ASB in March 2009.

The municipality has elected to early adopt the requirements of IAS 19 post retirement medical benefits and long service awards which was exempted in Government Notice 522 of 29 June 2007.

The Accounting Framework of the municipality, based on the preceding paragraphs is therefore as follows:

GRAP 1 - Presentation of Financial Statements  
GRAP 2 - Cash Flow Statements  
GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors  
GRAP 4 - Effects of Changes in Foreign Exchange Rates  
GRAP 5 - Borrowing Costs  
GRAP 6 - Consolidated and Separate Financial Statements  
GRAP 7 - Investments in Associates  
GRAP 8 - Interests in Joint Ventures  
GRAP 9 - Revenue from Exchange Transactions  
GRAP 10 - Financial Reporting in Hyperinflationary Economies  
GRAP 11 - Construction Contracts  
GRAP 12 - Inventories  
GRAP 13 - Leases  
GRAP 14 - Events after the Reporting Date  
GRAP 16 - Investment property  
GRAP 17 - Property, Plant and Equipment  
GRAP 18 - Segment Reporting  
GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets  
GAMAP 9 - Paragraphs relating to Revenue from Non-Exchange Transactions  
GRAP 100 - Non-Current Assets Held for Sale and Discontinued Operations  
GRAP 101 - Agriculture  
GRAP 102 - Intangible Assets  
IPSAS 20 - Related Party Disclosure  
IPSAS 21 - Impairment of Non Cash-Generating Assets  
IFRS 3 - Business Combinations  
IFRS 7 - Financial Instruments: Disclosures  
IAS 19 - Employee Benefits  
IAS 32 - Financial Instruments: Presentation  
IAS 36 - Impairment of Assets  
IAS 39 - Financial Instruments: Recognition and Measurement  
Directive 4 - Transitional provisions for medium and low capacity municipalities

### **1.1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY**

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the year ended 30 June 2009 the municipality has adopted the accounting framework as set out in point 1 above except as excluded by Directive 4. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the change:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions. on the performance or cash flow.

## **2 PRESENTATION OF CURRENCY**



**UMDONI MUNICIPALITY**  
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**ACCOUNTING POLICIES**

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

**3 GOING CONCERN ASSUMPTION**

The annual financial statements are prepared on a going concern basis.

**4 HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

**5 PROPERTY, PLANT AND EQUIPMENT**

In terms of ASB Directive 4, the municipality need not comply with the measurement requirements of GRAP 17 for the years ending 30 June 2009 and 2010 but must comply with the measurement requirements for the year ending 30 June 2011. The municipality elects to apply ASB Directive 4 for its investment properties and does not measure its property, plant and equipment for the above-mentioned period.

**5.1 Initial measurement**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognized as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognized at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

However, for the year ended 30 June 2009, the municipality has applied the exemptions as indicated in Directive 4.

**5.2 Subsequent measurement**



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**ACCOUNTING POLICIES**

Subsequent expenditure relating to property, plant and equipment is capitalized if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalized when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognizes the part of the asset being replaced and capitalizes the new component.

When revalued assets, if any are sold or retired, the amounts included in the revaluation reserve in respect of those assets, are transferred to accumulated surplus or deficit.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or forgone is included in surplus or deficit when the compensation becomes receivable.

**5.3 Depreciation**

Land is not depreciated as it is regarded as having an infinite life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

<b>Infrastructure</b>	<b>Years</b>
Roads and paving	30
Pedestrian malls	30
Electricity	20 - 30
Housing	30
<b>Community</b>	
Buildings	30
Recreational facilities	20 - 30
Security	5
<b>Other</b>	
Buildings	30
Specialist vehicles	10
Other vehicles	5
Office equipment	3
Furniture and fittings	7 - 10
Watercraft	15
Bins and containers	5
Specialized plant and equipment	10 - 15
Other items of plant and equipment	2 - 5
Landfill sites	15

**5.4 Work in Progress**

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

**5.5 Infrastructure Assets**

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality.





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**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**ACCOUNTING POLICIES**

**6 INVENTORIES**

**6.1 Initial recognition**

Inventories comprise of consumable stores. Inventories are initially recognized at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

**7 ACCOUNTS RECEIVABLE**

Accounts receivable are stated in the annual financial statements at the value of billings to consumers/ ratepayers, less deductions for rebates granted less a provision for doubtful accounts.

Provision for doubtful accounts is made, based on a review of outstanding amounts at the financial year end. Contributions to the provision are calculated by analyzing specific debts deemed doubtful of recovery, prior year's experience, correspondence with the Council's attorneys, the debt collection policy and management's best estimate of recoveries expressed as a percentage.

Bad debts are written off in the period that they are identified. Amounts that are receivable within one year are classified as current assets.

**8 ACCOUNTS PAYABLE**

Accounts payable are stated in the annual financial statements at the amounts due to trade and other creditors for goods or services received.

**9 REVENUE RECOGNITION**

**9.1 General**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities.

The municipality recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the transaction have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

**10 REVENUE FROM EXCHANGE TRANSACTIONS**

**10.1 Service Charges**

Service charges relating to refuse removal are recognized on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

**10.2 Finance income**

Interest earned on investments is recognized in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

**10.3 Tariff charges**

Revenue arising from the application of the approved tariff of charges is recognized when the relevant service is rendered by applying the relevant authorized tariff. This includes the issuing of licenses and permits



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**ACCOUNTING POLICIES**

**11 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

**11.1 Rates and Taxes**

Revenue from property rates is recognized in terms of the Municipal Property Rates Act and the Municipal Rates Policy

**11.2 Other Donations and Contributions**

Donations are recognized on a cash receipts basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

**12 GOVERNMENT GRANTS AND RECEIPTS**

Income received from conditional grants, donations and funding are recognized as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognized. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognized in the Statement of Financial Performance in the period in which they become receivable.

The municipality accounted for government grants and receipts in the previous financial year in accordance with the requirements of IAS 20.24 and .26, GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42 – .46, as appropriate. For the financial year ended 30 June 2009, the municipality accounted for government grants and receipts for the year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of GAMAP 9.42 – .46 and ASB Directives 3 and 5.

**13 PROVISIONS**

Provisions are recognized when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognized for future operating losses.

A provision for restructuring costs is recognized only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;

- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

**14 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

**15 UNAUTHORIZED EXPENDITURE**

Unauthorized expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003).



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**ACCOUNTING POLICIES**

**16 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorized expenditure.

**17 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance.

**18 RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits.

The municipality provides post-retirement healthcare benefits to their retirees. The entitlement to these benefits are conditional on the employee remaining in service up to retirement age.

**19 DEPOSITS**

Deposits received by the municipality are in terms of the approved tariff of charges by Council. These mainly relate to the use of community facilities and verge deposits, amongst others

**20 LEASES**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognized as an expense in the statement of financial performance.

**21 PRIOR YEAR COMPARATIVES**

Prior period comparatives are reclassified when the presentation or classification of items in the annual financial statements is amended.

**22 VALUE ADDED TAXATION**

The municipality accounts for value added taxation on the cash basis, whilst the annual financial statements are prepared on the accrual basis of accounting

**23 EVENTS AFTER THE REPORTING DATE**

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.



## UMDONI MUNICIPALITY

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### ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

#### ACCOUNTING POLICIES

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#### RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.



# UMDONI MUNICIPALITY

TOGETHER BUILDING UNITY – SIYAKHISANA – TESAME BOU ONS EENHEID

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2010	2009
	R	R

#### 1 ACCUMULATED SURPLUS

The following internal funds and reserves are ring-fenced within the accumulated surplus:

- Government Grant Reserve	174 184 940	90 517 342
- Accumulated surplus due to the results of operations	72 240 942	47 686 487
<b>Total Accumulated Surplus</b>	<b>246 425 882</b>	<b>138 203 829</b>

The following illustrates the detail on the movement of internal funds and reserves during the financial period:

	Government Grant Reserve	Accumulated Surplus/(Deficit) due to results of operations	Total Accumulated Surplus /(Deficit)
		R	R
<b>2008</b>			
<b>Balance at 1 July 2008</b>	<b>60 772 740</b>	<b>50 650 163</b>	<b>111 422 903</b>
Surplus for the year	-	26 566 231	26 566 231
Transfer of capital grant assets to Govt Grant Reserve	32 431 028	-32 431 028	-
Prior year adjustments	-	235 599	235 599
Offsetting of Depreciation	-2 686 426	2 686 426	-
<b>Balance at 30 June 2009</b>	<b>90 517 342</b>	<b>47 707 391</b>	<b>138 224 733</b>
<b>2009</b>			
<b>Balance at 01 July 2009</b>	<b>90 517 342</b>	<b>47 707 391</b>	<b>138 224 733</b>
Surplus for the year	-	108 591 805	108 591 805
Transfer of capital grant assets to Govt Grant Reserve	88 799 530	-88 799 530	-
Prior year adjustments	-	-390 656	-390 656
Offsetting of Depreciation	-5 131 932	5 131 932	-
<b>Balance at 30 June 2010</b>	<b>174 184 940</b>	<b>72 240 942</b>	<b>246 425 882</b>

#### 2 HOUSING DEVELOPMENT FUND

The Housing Development Fund contain all proceeds from housing developments, which include rental income and sales of houses. Monies standing to the credit of the Housing Development Fund are used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Housing Development Fund	31 623 553	34 302 931
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# UMDONI MUNICIPALITY

TOGETHER BUILDING UNITY – SIYAKHISANA – TESAME BOU ONS EENHEID

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2010 R	2009 R
The Housing Development Fund is represented by the following assets and liabilities:		
- Housing Fixed Assets	13 338 204	16 026 846
- Housing Rental Receivables	8 878 329	8 774 309
- Investments - External	9 148 858	9 346 827
- Bank and Cash	258 162	154 949
<b>Total Housing Development Fund Assets and Liabilities</b>	<b>31 623 553</b>	<b>34 302 931</b>

### 3 LONG TERM LIABILITIES

Long term Loans	2 089 694	889 694
Annuity loans	689 040	891 423
<b>Total External loans</b>	<b>2 778 734</b>	<b>1 781 117</b>
LESS : Current portion transferred to current liabilities (Refer to appendix A for more detail)	-1 501 429	-1 598 024
<b>Total long-term liabilities</b>	<b>1 277 305</b>	<b>183 093</b>

### 4 PROVISION FOR POST RETIREMENT MEDICAL BENEFITS

Post-Employment Health Care Benefit Liability	11 810 880	8 120 069
<b>Total: Post Retirement Medical Aid Benefit Liability</b>	<b>11 810 880</b>	<b>8 120 069</b>
Less: Transfer to Current Provisions	-357 468	-309 463
<b>Net Post-Employment Health Care Benefit Liability</b>	<b>11 453 412</b>	<b>7 810 606</b>

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2010 by a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by the municipality.



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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2010 R	2009 R
The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
- In-service members	134	115
- Continuation members	20	19
<b>Total</b>	<b>154</b>	<b>134</b>
The liability in respect of past service has been estimated to be as follows:		
- In-service members	7 630 733	4 074 855
- Continuation members	4 180 147	4 045 214
- Recognised actuarial loss (Prior Year)	-	142 611
	11 810 880	8 262 680
Add: Unrecognised actuarial gain	-	2 885 184
	11 810 880	11 147 864

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- Global Health
- LA Health
- Samwumed

The future service cost for the ensuing year is established to be R 649,465 whereas the interest-cost for the next year is estimated to be R 1,078,459 (2009: R 273,244 and R 730,496 respectively)

#### The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	9.22	9.13
Health Care Cost Inflation Rate	7.22	7.80
Net Effective Discount Rate	1.87	1.24
Expected Retirement Age - Females	55	55
Expected Retirement Age - Males	55	55

#### The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	14 772 809	11 147 864
Fair value of plan assets	-	-
	14 772 809	11 147 864
Recognised actuarial loss	-2 961 929	-142 611
Unrecognised actuarial gain	-	-2 885 184



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## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2010 R	2009 R
<b>Benefit Liability</b>	11 810 880	8 120 069
<b>The amount recognised in the Statement of Financial Performance under employee related costs are as follows:</b>		
Current service cost	373 244	417 041
Interest cost	730 496	1 053 293
Recognised actuarial loss (prior year)	2 819 318	142 611
Contribution to provision	112 826	55 579
	4 035 884	1 668 524
<b>The movement in the defined benefit obligation over the year is as follows:</b>		
Balance at beginning of year	8 120 069	6 732 470
Current service cost	373 244	417 041
Interest cost	730 496	1 053 293
Benefits paid	-345 073	-280 925
Contribution to provision	112 826	55 579
Recognised actuarial loss - Prior Year	2 819 318	142 611
<b>Balance at end of year</b>	11 810 880	8 120 069
<b>The effect of a 1 % movement in the assumed rate of health care cost inflation is as follows:</b>		
<b>Increase</b>		
Effect on the aggregate of the current service cost and the interest cost	1 292 600	1 713 200
Effect on the defined benefit obligation	8 832 000	9 253 000
<b>Decrease</b>		
Effect on the aggregate of the current service cost and the interest cost	951 100	1 272 800
Effect on the defined benefit obligation	6 642 000	7 240 000

The municipality expects to make a contribution of R 1,370,456 (2009: R 4,035,884) to the defined benefit plans during the next financial year.

#### 5 LONG SERVICE AWARDS AND RETIREMENT GIFTS





# UMDONI MUNICIPALITY

TOGETHER BUILDING UNITY – SIYAKHISANA – TESAME BOU ONS EENHEID

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2010 R	2009 R
Provision for Long Service Awards	943 962	823 006
Total Provision for Long Service Awards	943 962	823 006
Less: Transfer to Current Provisions	-204 832	-232 778
<b>Net Long Service Awards liability</b>	<b>739 130</b>	<b>590 228</b>

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality (which includes their uninterrupted service with the former local authorities amalgamated in December 2000 to become Umdoni Municipality). The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2010 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2010 by a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.

The Long Service Awards plans are defined benefit plans. As at year end, 341 employees were eligible for Long Service Awards.

The future service cost for the ensuing year is estimated to be R 159,321, whereas the interest-cost for the next year is estimated to be R 66,013

#### The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	8.68%	8.90%
Expected Rate of Salary Increase	6.06%	6.62%
Net Effective Discount Rate	2.48%	2.14%

#### The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	820 049	752 721
Fair value of plan assets		-
	820 049	752 721
Unrecognised past service cost		-
Recognised actuarial loss	123 912	70 285
<b>Net liability</b>	<b>943 961</b>	<b>823 006</b>

The amount recognised in the Statement of Financial Performance under employee related costs are as follows:



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## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2010 R	2009 R
Current service cost	157 437	139 157
Interest cost	66 013	72 915
Actuarial loss	123 912	70 285
Actuarial losses unrecognised in prior year	-21 066	-19 955
<b>Total included in Employee Related Costs</b>	<b>326 296</b>	<b>262 402</b>
<b>The movement in the defined benefit obligation over the year is as follows:</b>		
<b>Balance at beginning of year</b>	<b>823 006</b>	<b>790 083</b>
Current service cost	157 437	139 157
Interest cost	66 013	72 915
Benefits paid	-205 341	-229 479
Actuarial losses unrecognised in prior year	-21 066	-19 955
Actuarial losses recognised	123 912	70 285
<b>Balance at end of year</b>	<b>943 961</b>	<b>823 006</b>
<b>The effect of a 1 % movement in the assumed rate of salary inflation is as follows:</b>		
<b>Increase</b>		
Effect on the aggregate of the current service cost and the interest cost	234 808	221 557
Effect on the defined benefit obligation	1 122 000	897 000
<b>Decrease</b>		
Effect on the aggregate of the current service cost and the interest cost	213 143	203 429
Effect on the defined benefit obligation	1 018 000	817 000

## 6 REFUSE SITE REHABILITATION

In terms of the licencing of the landfill refuse sites, Council will incur rehabilitation costs of R2,4 million determined at present value, to restore the sites. Provision has been made for an amount based on the present value of cost.

The costs of rehabilitating the refuse site have been estimated by the Council's consulting engineers who control the operations carried out by the service provider. Council has to submit a rehabilitation plan to the Department of Water Affairs and Forestry six months prior to closing the Site.

Opening balance	2 449 500	2 118 297
Charged to statement of financial performance	355 350	331 203
Closing balance	2 804 850	2 449 500

## 7 MULTI EMPLOYER RETIREMENT BENEFITS



## UMDONI MUNICIPALITY

TOGETHER BUILDING UNITY – SIYAKHISANA – TESAME BOU ONS EENHEID

### ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

#### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2010

R

2009

R

Umdoni Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All full-time employees belong to the KwaZulu Natal Joint Municipal Pension Fund, which are made up by the Retirement, Superannuation and Provident Funds.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised as per the Pension Fund Statement of Financial Performance of R13,9 million (2008: R12,6 million) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation. For both the Superannuation and Retirement Funds valuations making use of the Discontinuance Method Approach have been included as well.

#### DEFINED BENEFIT SCHEMES

##### Retirement Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 31 March 2006.

The interim valuation performed as at 31 March 2008 revealed that the fund had a shortfall of R170,6 (31 March 2007: shortfall of R229,8) million, with a funding level of 90,2% (31 March 2007: 85,7%). The contribution rate, including the surcharges below, paid by the members (8,65%) and municipalities (29,00%) should be sufficient to eradicate the shortfall in the fund by 30 June 2010.

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges, of which 1,65% is paid by members, are as follows:

- From 1 July 2006 14%

**UMDONI MUNICIPALITY**

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**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010****NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**2010**                      **2009**

**R**                              **R**

- From 1 July 2007    17%

This surcharge is payable until 1 July 2010. This position will be monitored on an annual basis.

The fund has effectively been closed to new members and in order to allow for the improving pensioner mortality, an extension of the above-mentioned surcharge for another two years will be necessary.

**Superannuation Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 31 March 2008.

The statutory valuation performed as at 31 March 2008 revealed that the fund had a surplus of R111,8 (31 March 2007: surplus of R20,9) million, with a funding level of 102,6% (31 March 2007: 100,5%). The contribution rate paid by the members (9,25%) and municipalities (18,00%) is 1,27% less than the required contribution rate for future service and will be reviewed at the next interim valuation as at 31 March 2009 when the outcome of a possible merger with the Retirement Fund above will be known with more certainty.

Although the fund has effectively been closed to new members, the fund was certified to be in a sound financial position as at 31 March 2008 on the DCF Method.

**DEFINED CONTRIBUTION SCHEMES****Municipal Councillors Pension Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The statutory valuation performed as at 30 June 2006 revealed that the fund had a funding ratio of 106.5%. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

No further details could be provided for after the last valuation, being 30 June 2006.

**Provident Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 31 March 2006.

The interim valuation performed as at 31 March 2008 revealed that the market value of the fund was R604,7 (31 March 2007: R556,6) million. The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 1,95 times the member's contributions by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2008. The recorded deficit of R3,3 million (31 March 2007: Surplus) will be met from future investment earnings.

**8 ACCOUNTS PAYABLE**

Trade creditors	11 060 116	4 730 287
Deposits	1 176 432	974 978
Payments received in advance	2 333 657	2 174 820
External loans interest - pennington	90 599	90 599
Retention monies	9 772 292	2 087 148
Unidentified direct deposits	320 095	299 377
<b>Total Accounts Payable</b>	<b>24 753 191</b>	<b>10 357 209</b>

**UMDONI MUNICIPALITY**

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**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010****NOTES TO THE ANNUAL FINANCIAL STATEMENTS****2010****R****2009****R**

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial policies in place to ensure that all payables are paid within the credit timeframe.

Deposits are paid by members of the community on application for the hire of community halls and facilities, as stipulated in the tariff of charges. The deposits are repaid when the use of the community halls/facilities are completed, and an inspection has been executed to ensure that the facilities hired have been restored to its original condition, and no damage to property has occurred. In cases where the condition of the facilities have not been restored to its original condition or damage to the property is evident, Council can utilize the deposit as payment to rectify the facilities to its original condition or to restore any damage to the property.

No interest is paid on consumer deposits held.

**9 UNSPENT CONDITIONAL GRANTS AND RECEIPTS****Conditional Grants from other spheres of Government:**

Provincial grants	1 746 059	1 564 014
Ugu District Municipality	842 311	1 225 326
National Treasury	265 225 793	357 739 154
Development Bank of SA Ltd	-	14 620
European Union Funding	153 861	153 861
Other Grants	254 325	96 739
<b>Total Conditional Grants from other spheres of Government</b>	<b>268 222 348</b>	<b>360 793 714</b>

**10 OPERATING LEASES****The Municipality as lessee****Leasing arrangements:**

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Up to 1 year	394 586	262 572
1 to 5 years	182 360	240 895
More than 5 years	110	110
<b>Total Operating Lease Arrangements</b>	<b>577 055</b>	<b>503 577</b>

Included in the above mentioned operating lease payments are the following major classes of leases, which are only significant collectively:

- Electronic equipment	490 190	345 816
- Vehicles	74 427	143 130
- Properties	12 438	14 631



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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2010

R

2009

R

577 055

503 577

#### The Municipality as lessor

##### Leasing arrangements:

At the reporting date, the municipality had outstanding receipts in terms of operating leases, which will accrue as follows:

Receivable within 1 year	1 911 899	1 564 641
Receivable within 2-5 years	3 030 736	6 093 651
Receivable after 5 years	169 667	570 716
<b>Total Operating Lease Arrangements</b>	<b>5 112 303</b>	<b>8 229 008</b>

Included in the above mentioned operating lease receivables are the following major classes of leases, which are only significant collectively:

- Land	5 112 303	8 229 008
	5 112 303	8 229 008

## 11 PROPERTY, PLANT AND EQUIPMENT

The municipality has adopted the transitional arrangements as set out in Directive 4, released by the Accounting Standards Board in February 2008. This involves the recognition of all assets under the ownership of the municipality, but not necessarily the measurement of such assets.

The Municipality is currently in the process of itemizing all infrastructure and other assets. Depreciation on assets is calculated on an average basis of useful life for each category.

No property, plant and equipment have been pledged to secure borrowings of the municipality

See also Note 40

## 12 PROVISION FOR STAFF LEAVE

Balance at beginning of the year	3 295 530	2 125 755
Contributions (Decrease) to provision	1 050 300	1 359 695
Actual leave paid for the year	-335 995	-189 919
<b>Balance at end of year</b>	<b>4 009 835</b>	<b>3 295 530</b>

## 13 INVESTMENTS

##### *Council's unlisted investments*

Long-term deposits with Standard Bank of SA Ltd

-	-
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# UMDONI MUNICIPALITY

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2010 R	2009 R
<b>Total long term investments</b>	-	-
<i>Short term investments</i>		
Notice deposits	303 812 341	365 988 248
Standard Bank of SA Ltd	172 933 985	340 477 965
Absa	103 668 116	1 067
Nedbank	14 732 374	13 815 414
First National Bank	12 476 746	11 692 682
Investec Bank	1 120	1 120
<b>Total short term investments</b>	<b>303 812 341</b>	<b>365 988 248</b>
<b>Total investments</b>	<b>303 812 341</b>	<b>365 988 248</b>
Council's valuation of unlisted investments	303 812 341	365 967 344
Average rate of return on investments	6.67%	10.42%

#### 14 LONG TERM RECEIVABLES

Loans to Sports Club and other	-	4 278
		<b>4 278</b>
LESS : Current portion of long-term receivables transferred to current assets	-	-4 278
	-	-

#### 15 INVENTORY

Inventory represents:		
Consumable stores	36 312	26 200
	<b>36 312</b>	<b>26 200</b>

#### 16 CONSUMER RECEIVABLES

##### Revenue from Non Exchange Transactions

Rates	17 702 610	15 572 104
Rates penalties and collection charges	8 882 532	9 255 374
Refuse	3 034 162	3 494 418



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## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2010 R	2009 R
Grants, subsidies and other	135 337	135 337
<b>Revenue from exchange transactions</b>		
Housing	5 703 090	5 239 043
Interest on housing	3 175 239	2 937 012
Sundries	4 485 565	2 653 337
	43 118 535	39 286 625
Less: Provision for bad debt	-13 196 840	-9 279 835
Less: Provision for impairment loss	-3 915 144	-3 915 144
Add: VAT	-	163 454
<b>Total Consumer Receivables</b>	<b>26 006 551</b>	<b>26 255 100</b>
Amounts written off as bad debts	2 100	27 294
As a percentage of total operating revenue	0.00%	0.02%
<b>Ageing of Consumer Debt as follows:</b>		
<b>Rates</b>		
Current ( 0 to 30 days)	591 445	790 452
31 to 60 days	321 101	287 102
61 to 90 days	242 950	194 554
91 to 120 days	221 590	202 669
121 days and over	16 329 132	14 097 327
	<b>17 706 218</b>	<b>15 572 104</b>
<b>Rates Penalties and collection charges</b>		
Current ( 0 to 30 days)	3 233	12 801
31 to 60 days	3 181	4 812
61 to 90 days	9 396	5 844
91 to 120 days	10 840	15 531
121 days and over	8 855 882	9 216 386
	<b>8 882 532</b>	<b>9 255 374</b>
<b>Housing</b>		
Current ( 0 to 30 days)	130 086	290 209
31 to 60 days	44 846	42 673
61 to 90 days	44 246	53 846
91 to 120 days	44 628	41 639
121 days and over	4 998 722	4 810 676





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## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2010 R	2009 R
	5 262 528	5 239 043
<b>Interest on housing</b>		
Current ( 0 to 30 days)	-	-
31 to 60 days	440	431
61 to 90 days	876	1 077
91 to 120 days	1 317	1 257
121 days and over	3 172 606	2 934 247
	3 175 239	2 937 012
<b>Refuse</b>		
Current ( 0 to 30 days)	205 093	277 067
31 to 60 days	44 109	59 329
61 to 90 days	38 662	41 569
91 to 120 days	32 892	50 838
121 days and over	2 981 975	3 065 615
	3 302 731	3 494 418
<b>Sundries</b>		
Current ( 0 to 30 days)	2 351 614	508 678
31 to 60 days	28 105	41 920
61 to 90 days	59 977	39 803
91 to 120 days	264 850	23 568
121 days and over	2 318 721	2 039 368
	5 023 267	2 653 337
<b>Grants, subsidies and other</b>		
Current ( 0 to 30 days)	-	-
31 to 60 days	-	-
61 to 90 days	-	-
91 to 120 days	-	-
121 days and over	135 337	135 337
	135 337	135 337
Total consumer ageing	43 487 852	39 286 625
Less: Provision for bad debts	-13 196 840	-9 279 835
Less: Provision for impairment loss	-3 915 144	-3 915 144
Add: VAT	-369 317	163 454



# UMDONI MUNICIPALITY

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## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2010 R	2009 R
<b>Total Consumer Receivables</b>	<b>26 006 551</b>	<b>26 255 100</b>
<i>Reconciliation of Provision for Bad Debts on Consumer Receivables</i>		
Balance at beginning of the year	9 279 835	5 767 240
Contributions to provision	2 340 366	3 539 889
Transfer of clinic subsidy provision from other receivables	1 817 000	
Write offs against provision	-240 361	-27 294
<b>Balance at end of year</b>	<b>13 196 840</b>	<b>9 279 835</b>

Management have considered the effects of any impairment in the values of outstandings and the value of the provision for bad debts. The provision is adequate to account for any material losses expected to arise from any adjustments that are required to be made to outstanding debt.

In the previous financial year, the clinic subsidy was anticipated to be a once off receivable. However, subsequent events in the current financial year have indicated that the conditions of an recurrent receivable has been met.

#### 17 OTHER RECEIVABLES

Sundry receivables	55 492	2 128 004
Sale of Council Property	-	3 250 000
Ugu District Municipality	5 075 295	5 075 295
	5 130 788	10 453 299
Less: Provision for bad debt	-5 117 952	-7 362 203
<b>Total other receivables</b>	<b>12 836</b>	<b>3 091 096</b>
<i>Reconciliation of Provision for Bad debt on Other receivables</i>		
Balance at beginning of the year	7 362 203	4 922 446
Contributions (Decrease) to provision	-348 986	2 439 757
Transfer of clinic subsidy provision to consumer receivables	-1 817 000	
Bad debts written off against provision	-78 265	-
<b>Balance at end of year</b>	<b>5 117 952</b>	<b>7 362 203</b>

Management have considered the effects of any impairment in the values of outstandings and the value of the provision for bad debts. The provision is adequate to account for any material losses expected to arise from any adjustments that are required to be made to outstandings receivables.

#### 18 VAT RECEIVABLE

VAT receivable	7 474 131	5 724 654
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# UMDONI MUNICIPALITY

TOGETHER BUILDING UNITY – SIYAKHISANA – TESAME BOU ONS EENHEID

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2010  
R

2009  
R

VAT is payable on the cash basis. Only once payment has been received from receivables is VAT paid over to SARS.

#### 19 BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts:

**The following primary bank account is maintained in terms of the Local Government: Municipal Finance Management Act:**

##### Standard Bank of SA Limited, Scottburgh Branch - Account No. 05 279 168 8

##### Current account:

Cash book balance at beginning of year	-4 843 558	-129 601
Cash book balance at end of year	-2 787 957	-4 843 558
Bank statement balance at beginning of year	2 710 117	3 792 218
Bank statement balance at end of year	3 926 445	2 710 117

**The following housing bank accounts are maintained in terms of memorandums of agreement with the Department of Housing:**

##### Standard Bank of SA Limited, Scottburgh Branch - Account No. 05 285 257 1

##### Malangen Rural Housing Project K 03100018

Cash book balances at beginning of year	61 893	38 269
Cash book balances at end of year	62 727	61 893
Bank statement balances at beginning of year	61 893	38 269
Bank statement balances at end of year	62 727	61 893

##### Standard Bank of SA Limited, Scottburgh Branch - Account No. 05 285 256 3

##### Amahlongwa Rural Housing Project K 03100017

Cash book balances at beginning of year	8 053	551 322
Cash book balances at end of year	78 428	8 053
Bank statement balances at beginning of year	8 053	551 322
Bank statement balances at end of year	78 428	8 053

##### Standard Bank of SA Limited, Scottburgh Branch - Account No. 05 279 625 6

##### Umzinto Slum Clearance Housing Project K 031 00019

Cash book balances at beginning of year	-24	51 253
Cash book balances at end of year	25 809	-24
Bank statement balances at beginning of year	-24	51 253
Bank statement balances at end of year	25 809	-24



# UMDONI MUNICIPALITY

TOGETHER BUILDING UNITY – SIYAKHISANA – TESAME BOU ONS EENHEID

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2010 R	2009 R
<u>Standard Bank of SA Limited, Scottburgh Branch - Account No. 05 279 619 1</u>		
<u>Sanathan Housing Project K 0310002</u>		
Cash book balances at beginning of year	2 063	162
Cash book balances at end of year	1 246	2 063
Bank statement balances at beginning of year	2 063	162
Bank statement balances at end of year	1 246	2 063
<u>Standard Bank of SA Limited, Scottburgh Branch - Account No. 05 285 432 9</u>		
<u>Umdoni Municipality Housing Account</u>		
Cash book balances at beginning of year	82 964	189 976
Cash book balances at end of year	89 952	82 964
Bank statement balances at beginning of year	122 689	189 976
Bank statement balances at end of year	89 953	122 689
<b>Additional Bank account:</b>		
<u>Standard Bank of SA Limited, Scottburgh Branch - Account No. 05 429 812 1</u>		
<u>Disaster Management Account</u>		
Cash book balances at beginning of year	-	5 462
Cash book balances at end of year	-	-
Bank statement balances at beginning of year	-	5 462
Bank statement balances at end of year	-	-
<b>Summary:</b>		
Cash book balance at beginning of year	-4 688 609	706 844
Cash book balance at end of year	-2 529 796	-4 688 609
Bank statement balance at beginning of year	194 674	4 628 662
Bank statement balance at end of year	4 184 607	2 904 791
<b>CASH ON HAND:</b>		
Petty Cash	1 000	1 000
Floats	4 900	4 900
	<b>5 900</b>	<b>5 900</b>
<b>Total Bank and Cash</b>	<b>-2 523 896</b>	<b>-4 682 709</b>



# UMDONI MUNICIPALITY

TOGETHER BUILDING UNITY – SIYAKHISANA – TESAME BOU ONS EENHEID

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2010 R	2009 R
<b>20 PROPERTY RATES</b>		
<b>Actual income</b>		
Residential	34 842 077	32 725 640
Agriculture	552 502	506 147
Commercial and Other	17 114 233	17 244 964
State	-	-
Less: Adjustments	-2 351 358	-2 385 392
Less: Rebates	-4 684 237	-5 339 833
<b>Total assessment rates</b>	<b>45 473 217</b>	<b>42 751 526</b>
<b>Property valuations</b>	<b>7 419 315 000</b>	<b>7 469 953 000</b>
<b>Non rateable valuations</b>	<b>129 691 000</b>	<b>112 778 000</b>
The last general valuation for Umdoni came into effect on:	01 July 2008	01 July 2008
<b>Randages in terms of the Municipal Property Rates Act:</b>		
Residential	0.00648	0.0063
Commercial, Business and Industrial	0.00864	0.0084
Agricultural Property ,Public Service Infrastructure, Public Benefit Organisations	0.00165	0.0016
Vacant Industrial, Commercial and Other	0.0185	0.0180
<b>Rebates on these rates are allowed on the following basis:</b>		
Special Residential (excluding vacant land)	75 000	75 000
Vacant Property	15 000	15 000
Disabled Persons, Pensioners, Indigent Persons as defined in the Indigent Policy	370 000	370 000
<b>21 SERVICE CHARGES</b>		
Refuse removal	6 319 417	6 226 015
	<b>6 319 417</b>	<b>6 226 015</b>
<b>22 GOVERNMENT GRANTS AND SUBSIDIES</b>		
<b>Operational Grants:</b>		
Equitable share	17 093 771	12 929 536



# UMDONI MUNICIPALITY

TOGETHER BUILDING UNITY – SIYAKHISANA – TESAME BOU ONS EENHEID

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2010 R	2009 R
Provincial Grants	5 207 666	4 723 747
Provincial - Health Subsidies	1 782 942	1 817 000
Ugu District Municipality	494 843	2 698 483
Department of Provincial and Local Government	2 360 393	94 542
European Union Funding	-	275 722
National Treasury	102 218 360	55 773 731
Old Mutual	342 414	403 261
Development Bank of SA	-	118 280
<b>Total Government Grant and Subsidies recognised</b>	<b>129 500 389</b>	<b>78 834 302</b>

### 23 OTHER INCOME

Building plan fees	466 164	713 121
Development levy	105 263	-
Insurance recovery	820 891	148 865
Inspections	135 252	128 634
Fire services income	1 018 685	42 868
Plot clearing	56 787	113 594
Rates certificates	91 176	87 579
Signage	130 889	204 914
Non refundable tender deposits	341 471	113 206
Subdivisions, rezoning and town planning	50 578	73 919
Free Basic Services Refund - Ugu District Municipality	-	403 185
Sundry income	335 755	126 182
	<b>3 552 913</b>	<b>2 156 067</b>

### 24 EMPLOYEE RELATED COSTS

<b>Remuneration of the Municipal Manager</b>		
Annual remuneration	715 244	630 713
Performance bonus	62 273	69 000
	<b>777 517</b>	<b>699 713</b>
<b>Remuneration of the Manager: Financial Services</b>		
Annual remuneration	539 049	496 719
Performance bonus	34 115	30 000



# UMDONI MUNICIPALITY

TOGETHER BUILDING UNITY – SIYAKHISANA – TESAME BOU ONS EENHEID

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2010 R	2009 R
	573 163	526 719
<b>Remuneration of the Manager: Technical Services</b>		
Annual remuneration	540 249	499 719
Performance bonus	34 115	40 500
	574 363	540 219
<b>Remuneration of the Manager: Community Services</b>		
Annual remuneration	445 385	170 298
Performance bonus	40 500	40 500
<i>Performance bonus paid in 2010 financial year is in respect to the previous General Manager: Community Services</i>	485 885	210 798
<b>Remuneration of the Manager: Corporate Services</b>		
Annual remuneration	539 048	501 398
Performance bonus	34 115	54 000
	573 162	555 398
<b>EMPLOYEE RELATED COSTS</b>		
Salaries and allowances	34 530 976	31 145 172
Contributions to UIF, pensions and medical aids	6 533 333	5 506 942
Travel, motor car, accommodation, subsistence and other allowances	352 154	311 737
Housing benefits and allowances	99 920	122 811
Overtime payments	1 078 379	2 012 059
Bonuses	2 142 914	1 659 025
Contribution to long service awards and medical aid liability	4 362 180	1 930 986
	49 099 857	42 688 732

#### 25 COUNCILLORS' REMUNERATION

Mayor's allowance	572 107	531 383
Deputy Mayor's allowance	473 032	176 199
Speaker's allowance	456 004	423 628
Executive councillor allowance	426 922	396 943
Councillors' allowances	2 468 116	2 316 144
	4 396 181	3 844 297

The Mayor, Deputy Mayor, Speaker and one Executive Councillor are full time and have an office and secretarial support at the cost of the Council



# UMDONI MUNICIPALITY

TOGETHER BUILDING UNITY – SIYAKHISANA – TESAME BOU ONS EENHEID

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2010 R	2009 R
The Mayor has the use of a Council vehicle for official duties		
<b>26 INTEREST PAID</b>		
Long term liabilities	97 901	95 781
Total interest on external borrowings	<b>97 901</b>	<b>95 781</b>
<b>27 CONTRIBUTIONS TO PROVISIONS</b>		
Contribution to Bad Debt Provision	1 991 380	5 979 646
Contribution to Impairment Loss	-	3 915 144
Contribution to Leave Provision	1 050 300	1 359 695
	<b>3 041 680</b>	<b>11 254 485</b>
<b>28 AUDITOR'S REMUNERATION</b>		
Audit fees	773 363	828 176
<b>29 CONTRACTED SERVICES</b>		
Disaster management contracted services	-	31 857 738
Fixed asset register and verification	1 352 617	181 332
Verge Contract maintenance	2 796 063	1 221 625
Refuse site maintenance	1 947 246	1 308 390
Security	1 366 228	960 808
Lifeguard services	599 352	369 480
Meshing fees	797 263	721 504
Machinery leases	361 003	328 783
Computer support	231 031	275 385
Other contracted services	1 364 754	414 169
	<b>10 815 558</b>	<b>37 639 214</b>
<b>30 GENERAL EXPENSES</b>		
Electricity and water	3 052 694	2 315 609
Alternate electricity	1 834 836	1 126 092
Fuel maintenance	1 759 937	2 628 660





# UMDONI MUNICIPALITY

TOGETHER BUILDING UNITY – SIYAKHISANA – TESAME BOU ONS EENHEID

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2010 R	2009 R
Telecommunication	991 461	967 796
Printing and stationery	814 540	769 438
Insurance	381 687	451 755
Audit fees	773 363	828 176
Grants and subsidies paid	7 800 000	
Workmans Compensation	448 513	368 973
Special Programmes	637 212	532 607
Drivers licences	475 369	669 214
SETA Training Programmes and Skills Levies	704 307	702 390
Valuations	300 000	492 472
Other general expenses	6 596 618	8 657 020
	26 570 537	20 510 203

### 31 CASH GENERATED FROM (UTILISED IN) OPERATIONS

Surplus for the year	108 591 805	26 566 231
<i>Adjustments for non cash transactions accounted for directly against income:</i>		
Previous year's operating transactions	-390 656	235 599
Depreciation	10 889 539	7 073 638
Disposal of assets	2 688 649	2 079 652
Provision for refuse site rehabilitation	355 350	331 203
Other Provisions - Performance bonus	0	234 000
Accrued income	-1 730 572	-3 250 000
Contribution to bad debt adjustment	1 991 380	5 952 352
Contribution to impairment loss	0	3 915 144
<i>Capital charges :</i>		
Interest paid on external loans	97 901	95 781
<i>Investment income (operating account)</i>	-22 329 410	-8 946 549
<i>Non-operating expenditure:</i>		
Expenditure charged/ Income raised against Housing Operating Account	2 679 378	2 306 300
Contribution to staff leave	1 050 300	1 359 694
Contribution to retirement medical aid and long service awards	4 362 180	1 930 926
	108 255 842	39 883 971
<b>(INCREASE) / DECREASE IN WORKING CAPITAL</b>	<b>-17 376 253</b>	<b>-9 661 707</b>



# UMDONI MUNICIPALITY

TOGETHER BUILDING UNITY – SIYAKHISANA – TESAME BOU ONS EENHEID

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2010 R	2009 R
(Increase) / decrease in inventory	-10 112	25 982
(Increase) / decrease in receivables	-1 846 968	-14 186 161
(Increase) / decrease in short term investments	62 175 907	-328 823 817
Increase / (decrease) in creditors	14 876 287	1 792 500
Increase / (decrease) in unspent conditional grants	-92 571 366	331 529 789
<b>Cash generated from (utilised in) operations</b>	<b>90 879 589</b>	<b>30 222 264</b>

### 32 CONTINGENT LIABILITIES

No contingent liabilities have been identified at year end.

-	-
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### 33 CAPITAL COMMITMENTS

Commitments for capital expenditure

Approved and contracted for

Approved but not yet contracted for

66 118 430	26 366 669
189 837 611	275 802 860
<b>255 956 041</b>	<b>302 169 529</b>

This expenditure will be financed from:

Internal source - Revenue

External source - National government

6 000 000	10 430 009
249 956 041	291 739 520
<b>255 956 041</b>	<b>302 169 529</b>

### 34 COUNCILLORS' ACCOUNTS IN ARREAR

The following Councillors had an arrear account balance outstanding:

#### At 30 June 2010

Councillor M Sulagan

Councillor K Ramadu

Outstanding less than 90 Days	Outstanding more than 90 Days	Total
7 122	228 455	235 577
502	16 522	17 024
<b>7 624</b>	<b>244 977</b>	<b>252 601</b>

#### At 30 June 2009

B Moodley (Spouse of Councillor M Moodley)

335	4 368	4 703
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# UMDONI MUNICIPALITY

TOGETHER BUILDING UNITY – SIYAKHISANA – TESAME BOU ONS EENHEID

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2010 R	2009 R
Councillor M Sulagan	- 164 095	164 095
Councillor GN Mbambo	- 1 818	1 818
	335	170 616

### 35 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

#### 35.1 Unauthorised expenditure

Opening balance	20 468 206	450 493
Unauthorised expenditure for the current year	-	21 753 376
Approved /condoned by Council	-	-1 735 663
Transfer to receivables for recovery		-
Unauthorised expenditure	20 468 206	20 468 206

#### 35.2 Fruitless and wasteful expenditure

Opening Balance	-	
Fruitless and wasteful expenditure for the current year	-	-
Approved /condoned by Council	-	-
To be recovered - contingent asset	-	-
Fruitless and wasteful expenditure	-	-

#### 35.3 Irregular expenditure

Opening balance	1 680 281	-
Irregular expenditure for the current year	-	1 880 281
Approved /condoned by Council	-	-200 000
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure	1 680 281	1 680 281

### 36 CORRECTION OF ERRORS

36.1. INVESTMENTS	As previously reported 2009	Amount of correction 2009	Restated 2009
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# UMDONI MUNICIPALITY

TOGETHER BUILDING UNITY – SIYAKHISANA – TESAME BOU ONS EENHEID

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

**2010**                      **2009**  
**R**                              **R**

Interest on investment accounts have been understated in the prior financial year by R 20,904. The prior year revenue has been increased to correctly account for this interest. The Investment balance was further increased to account for the restatement of interest, and the effect of this correction is indicated below:

**a) Adjustment against surplus for the year end 30 June 2009:**

**Increase/(Decrease) in Revenue**

Interest earned	8 946 549	20 904	8 967 453
<b>Increase in Revenue</b>	<u>8 946 549</u>	<u>20 904</u>	<u>8 967 453</u>

**b) Adjustment of balances - assets as at 30 June 2009:**

**Net Assets and Liabilities**

- Increase in Accumulated Surplus	<u>138 203 829</u>	<u>20 904</u>	<u>138 224 733</u>
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**Assets**

- Increase in Investments	<u>365 967 344</u>	<u>20 904</u>	<u>365 988 248</u>
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### 37 EVENTS AFTER REPORTING DATE

Management have not identified any matter or circumstance (adjusting or non-adjusting) since the end of the financial year, that will impact on the fair presentation of the annual financial statements.

### 38 PARTICULARS OF TRANSACTIONS IN ACCORDANCE WITH S45 OF SUPPLY CHAIN REGULATIONS

The Municipality incurred business to the value of R 20,790 with a company associated with staff members of the Municipality. The transaction was concluded in full compliance with the Supply Chain Management Policy of Council and the transaction is considered to be at arms length.

Name of Individual	Capacity of Individual	Nature of Relationship	Amount of Award
AA Govender	Superintendent - Traffic	Parent of Employee	20 790

### 38 FINANCIAL INSTRUMENTS

#### 38.1 FINANCIAL ASSETS:

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows:



# UMDONI MUNICIPALITY

TOGETHER BUILDING UNITY – SIYAKHISANA – TESAME BOU ONS EENHEID

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2010 R	2009 R
<b><u>Financial Assets</u></b>	<b><u>Classification</u></b>		
<b>Current investments</b>			
30 day deposits	Held to maturity		
<b>Trade receivables from exchange transactions &amp; non-exchange transactions</b>			
Consumer debtors	Loans and receivables		
Other debtors	Loans and receivables		
<b>Bank, Cash and Cash Equivalents</b>			
Bank Balances	Available for sale		

### SUMMARY OF FINANCIAL ASSETS

#### Held to maturity:

Current investments      30 day deposits

303 812 341	365 988 248
<b>303 812 341</b>	<b>365 988 248</b>
43 118 535	39 286 625
5 130 788	10 453 299
<b>48 249 323</b>	<b>49 739 924</b>
264 062	160 874
<b>264 062</b>	<b>160 874</b>
<b>352 325 726</b>	<b>415 889 046</b>

#### Loans and Receivables

Trade receivables from consumers

Trade receivables from other debtors

#### Available for Sale:

Bank Balances and Cash      Bank Balances

#### Total Financial Assets

### 38.2 FINANCIAL LIABILITIES:

In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows :

#### Financial Liabilities

#### Classification

#### Long-term Liabilities

Non Annuity Loans

Financial liabilities at amortised cost

Annuity Loans

Financial liabilities at amortised cost



# UMDONI MUNICIPALITY

TOGETHER BUILDING UNITY – SIYAKHISANA – TESAME BOU ONS EENHEID

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2010	2009
	R	R
<b>Consumer Deposits</b>		
Electricity	Financial liabilities at amortised cost	
<b>Creditors</b>		
Trade creditors	Financial liabilities at amortised cost	
Payments received in advance	Financial liabilities at amortised cost	
Deposits - other	Financial liabilities at amortised cost	
Staff leave	Financial liabilities at amortised cost	
Other creditors	Financial liabilities at amortised cost	
<b>Current Portion of Long-term Liabilities</b>		
Non Annuity Loans	Financial liabilities at amortised cost	
Annuity Loans	Financial liabilities at amortised cost	
<b>Bank, Cash and Cash Equivalents</b>		
Bank Balances	Available for sale	

### SUMMARY OF FINANCIAL LIABILITIES

<b>Financial Liabilities at Amortised Cost:</b>			
Long-term Liabilities	Non Annuity Loans	1 200 000	-
Long-term Liabilities	Annuity Loans	77 306	183 094
Deposits	Sundry Deposits	1 176 432	974 978
Creditors	Trade creditors	11 060 116	4 730 287
Creditors	Payments received in advance	2 333 657	2 174 820
Creditors	Staff leave	4 009 835	3 295 530
Creditors	Other creditors	10 182 987	2 477 123
Current Portion of Long-term Liabilities	Non Annuity Loans	889 694	889 694
Current Portion of Long-term Liabilities	Annuity Loans	611 734	708 330
		<b>31 541 761</b>	<b>15 433 857</b>
<b>Bank, Cash and Cash Equivalents</b>			
Bank Balances		<b>2 787 957</b>	<b>4 843 558</b>
<b>Total Financial Liabilities</b>		<b>34 329 718</b>	<b>20 277 415</b>



# UMDONI MUNICIPALITY

TOGETHER BUILDING UNITY – SIYAKHISANA – TESAME BOU ONS EENHEID

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### STATEMENT OF CHANGES IN NET ASSETS

	<b>Housing Development Fund R</b>	<b>Accumulated surplus/ (deficit) R</b>	<b>Total</b>
<b>2009</b>			
<b>Balance at 1 July 2008</b>	36 609 231	111 422 903	148 032 134
Surplus for the year	-241 806	26 566 231	26 324 425
Assets disposals related to the housing operating account	-2 064 494		-2 064 494
Prior year adjustments		235 599	235 599
<b>Balance at 30 June 2009</b>	<b>34 302 931</b>	<b>138 224 733</b>	<b>172 527 664</b>
<b>2010</b>			
Surplus for the year	9 264	108 591 805	108 601 069
Assets disposals related to the housing operating account	-2 688 641		-2 688 641
Prior year adjustments		-390 656	-390 656
<b>Balance at 30 June 2010</b>	<b>31 623 553</b>	<b>246 425 882</b>	<b>278 049 436</b>

Detail on the movement of funds and reserves are set out in notes 1 and 2.



**UMDONI MUNICIPALITY**  
TOGETHER BUILDING UNITY – SIYAKHISANA – TESAME BOU ONS EENHEID  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**PROPERTY, PLANT AND EQUIPMENT**

**Note 40**

	Properties	Infrastructure	Vehicles	Civil Roads	Stormwater	Electricity	Toolbox	Housing	Work in Progress	Total
<b>Reconciliation of carrying value</b>										
<b>Carrying values at 01 July 2009</b>	19 425 843	53 219 644	6 958 608	34 565 962	2 474 407	1 067 570	7 442 686	16 119 219	22 701 007	163 974 946
Cost/Revaluation	20 329 506	62 931 965	13 661 106	43 352 703	3 024 817	1 246 948	15 311 377	16 119 219	22 701 007	198 678 647
Cost	20 329 506	62 931 965	13 661 106	43 352 703	3 024 817	1 246 948	15 311 377	16 119 219	22 701 007	198 678 647
Revaluation	-	-	-	-	-	-	-	-	-	-
Prior year adjustments										
Accumulated depreciation	-903 663	-9 712 322	-6 702 498	-8 786 742	-550 410	-179 377	-7 868 691	0	0	-34 703 702
Based on cost	-903 663	-9 712 322	-6 702 498	-8 786 742	-550 410	-179 377	-7 868 691	-	-	-34 703 702
Based on revaluation	-	-	-	-	-	-	-	-	-	-
Acquisitions	140 064	27 274 648	605 673	-	2 169 046	319 127	2 283 027	-	75 366 609	108 158 195
Increases/ (decreases) in revaluation										
Depreciation	-123 767	-4 493 020	-2 222 756	-1 416 977	-172 851	-41 565	-2 418 603	0	0	-10 889 539
Based on cost	-123 767	-4 493 020	-2 222 756	-1 416 977	-172 851	-41 565	-2 418 603	-		-10 889 539
Based on revaluation										0
Carrying value of disposals	-	-	-	-	-	-	-	(2 688 641)	-	(2 688 641)
Cost/ revaluation		(42 158)	(6 994)				(502 843)	(2 688 641)		(3 240 637)
Accumulated depreciation		42 158	6 994				502 843	-		551 996
Impairment losses	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-





**UMDONI MUNICIPALITY**  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**PROPERTY, PLANT AND EQUIPMENT**

**Note 40**

	Properties	Infrastructure	Vehicles	Civil Roads	Stormwater	Electricity	Toolbox	Housing	Work in Progress	Total
<b>Reconciliation of carrying value</b>										
<b>Carrying values at 30 June 2010</b>	19 442 140	76 001 272	5 341 526	33 148 984	4 470 601	1 345 132	7 307 110	13 430 578	98 067 616	258 554 960
Represented by										
Cost/revaluation	20 469 570	90 164 456	14 259 785	43 352 703	5 193 862	1 566 075	17 091 560	13 430 578	98 067 616	303 596 205
Cost	20 469 570	90 164 456	14 259 785	43 352 703	5 193 862	1 566 075	17 091 560	13 430 578	98 067 616	303 596 205
Revaluation										
Accumulated depreciation	-1 027 430	-14 163 183	-8 918 259	-10 203 719	-723 261	-220 943	-9 784 450	-	-	-45 041 245
Cost	-1 027 430	-14 163 183	-8 918 259	-10 203 719	-723 261	-220 943	-9 784 450	0	0	-45 041 245
Revaluation										
<b>Carrying values at 30 June 2010</b>	19 442 140	76 001 272	5 341 526	33 148 984	4 470 601	1 345 132	7 307 110	13 430 578	98 067 616	258 554 960



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**APPENDIX A : SCHEDULE OF EXTERNAL LOANS**

External loan	Interest rate	Period of loan	Balance as at 30 June 2009	Received during the year	Adjustments to correct the previous year	Redeemed/ written off during the year	Balance as at 30 June 2010	Short term Portion		2010 Interest accrued for the year
								2010	2009	
<b>Other Long-term Loans</b>										
uMsekeli Financial Services	0.00%		889 694	-	-	-	889 694	889 694	889 694	-
Development Bank of SA Ltd (MPRA Loan)				1 200 000	-	-	1 200 000	-	-	45 371
<b>Total Long-term Loans</b>			<b>889 694</b>	<b>1 200 000</b>	<b>-</b>	<b>-</b>	<b>2 089 694</b>			
<b>Annuity Loans</b>										
Development Bank of SA Ltd	Various (9.6%-17.65%)	Various (2009-2015)	376 210	-	-	-202 384	173 826	96 521	193 117	52 530
uMsekeli Financial Services										
Library	10.00%		77 290	-	-	-	77 290	77 290	77 290	-
Roads and drains	10.00%		437 923	-	-	-	437 924	437 923	437 923	-
<b>Total Annuity Loans</b>			<b>891 423</b>				<b>689 040</b>			
<b>TOTAL EXTERNAL LOANS</b>			<b>1 781 117</b>	<b>1 200 000</b>	<b>-</b>	<b>-</b>	<b>2 778 734</b>	<b>1 501 428</b>	<b>1 598 024</b>	<b>97 901</b>



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**APPENDIX B : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**

	Budgeted additions for 2009/ 2010 year R	Cost / Revaluation				Work in Progress Transferred to additions R	Work in Progress for the year R	Disposals R	Closing Balance R	Accumulated Depreciation					
		Opening Balance R	Work In Progress R	Restated Opening balance R	Additions R					Opening Balance R	Additions R	Disposals R	Closing Balance R	Carrying Value - 2010 R	Carrying Value - 2009 R
Properties	134 551	20 329 506	330 670	20 660 176	140 064	-330 670	2 588 201		23 057 771	903 663	123 767		1 027 430	22 030 341	19 756 513
Infrastructure	21 872 693	62 931 965	19 491 195	82 423 161	27 274 648	-19 491 195	13 327 161	-42 158	103 491 617	9 712 322	4 493 020	-42 158	14 163 183	89 328 434	72 710 839
Vehicles	2 248 345	13 661 106	-	13 661 106	605 673	0		-6 994	14 259 785	6 702 498	2 222 756	-6 994	8 918 259	5 341 526	6 958 608
Civil Roads	105 113 760	43 352 703	-	43 352 703	-	0	82 152 254		125 504 957	8 786 742	1 416 977		10 203 719	115 301 238	34 565 962
Civil Storm water	-	3 024 817	2 169 046	5 193 862	2 169 046	-2 169 046	-		5 193 862	550 410	172 851		723 261	4 470 601	4 643 452
Electrical	147 193	1 246 948	-	1 246 948	319 127	-	-		1 566 075	179 377	41 565		220 943	1 345 132	1 067 570
Toolbox	830 996	15 311 377	710 097	16 021 474	2 283 027	-710 097	-	-502 843	17 091 560	7 868 691	2 418 603	-502 843	9 784 450	7 307 110	8 152 783
Housing	-	16 119 219	-	16 119 219	-	-	-	-2 688 641	13 430 578					13 430 578	16 119 219
	130 347 538	175 977 640	22 701 007	198 678 647	32 791 586	-22 701 007	98 067 616	-3 240 637	303 596 205	34 703 702	#####	-551 996	45 041 245	258 554 960	163 974 946



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**APPENDIX C : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**

	Cost / Revaluation							Accumulated Depreciation						
	Opening	Work In	Restated	Additions	Work in Progress	Under	Disposals	Closing	Opening	Additions	Disposals	Closing	2010 Carrying	2009 Carrying
	Balance	Progress	opening		additions	Construction		Balance	Balance			Balance	Value	Value
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Council general	51 773		51 773	36 334	-		-3 500	84 607	24 785	9 245	-3 500	30 529	54 078	26 989
Council	3 406 278		3 406 278	51 403	-		-1 646	3 456 034	232 606	208 836	-1 646	439 795	3 016 239	3 173 672
Community Services	31 645 041	13 650 893	45 295 935	14 740 177	-13 650 893	10 351 100	-93 725	56 642 593	2 943 043	3 897 184	-93 725	6 746 503	49 896 090	42 352 891
Civic buildings	14 453 682		14 453 682	2 303 735	-	3 600 351	-1 216	20 356 552	2 776 763	557 587	-1 216	3 333 134	17 023 419	11 676 920
Building	96 406		96 406	1 740	-		-2 449	95 697	58 098	15 727	-2 449	71 376	24 321	38 308
Corporate Services	2 141 145		2 141 145	115 678	-		-46 862	2 209 961	1 123 842	356 949	-46 862	1 433 930	776 031	1 017 302
Clinic	1 028 474		1 028 474	12 185	-		-5 985	1 034 674	415 709	34 814	-5 985	444 539	590 136	612 765
Environmental Services	26 760		26 760	14 315	-			41 076	14 070	5 176	-	19 246	21 829	12 691
Land	1 525 849		1 525 849	-	-			1 525 849	11 270	1 239	-	12 509	1 513 340	1 514 579
Libraries	4 887 789	4 547 001	9 434 790	9 453 005	-4 547 001		-45 549	14 295 245	1 235 028	195 858	-45 549	1 385 337	12 909 907	8 199 761
Workshop	109 248		109 248	-	-		-286	108 962	86 551	8 759	-286	95 023	13 939	22 697
Refuse	8 459 321		8 459 321	-	-		-144	8 459 177	211 710	118 528	-144	330 094	8 129 083	8 247 611
Roads and Drainage	31 546 366		31 546 366	-	-	82 152 254	-2 546	113 696 074	6 209 312	1 083 031	-2 546	7 289 797	106 406 278	25 337 054
Beach management	6 605 886		6 605 886	-	-	691 093	-29 337	7 267 642	1 941 236	213 888	-29 337	2 125 786	5 141 855	4 664 650
Estates	830 300		830 300	-	-			830 300	1 471	329	-	1 800	828 500	828 829
Sewerage	941 646		941 646	-	-			941 646	681 901	13 861	-	695 763	245 884	259 745
Parks and gardens	7 411 293	803 005	8 214 299	922 069	-803 005		-16 405	8 316 957	1 430 661	378 617	-16 405	1 792 873	6 524 084	6 783 637
Traffic services	2 368 984		2 368 984	35 449	-		-14 713	2 389 720	1 359 205	358 578	-14 713	1 703 070	686 650	1 009 780
Caravan Park	1 767 401		1 767 401	-	-		-1 083	1 766 318	403 235	18 118	-1 083	420 270	1 346 048	1 364 166
Technical Services	15 768 193	3 695 558	19 463 751	4 995 306	-3 695 558	1 272 819	-35 643	22 000 675	5 176 176	2 518 775	-35 643	7 659 308	14 341 367	14 287 576
Public works	16 827 333	4 550	16 831 882	4 550	-4 550		-204	16 831 679	4 637 122	499 817	-204	5 136 736	11 694 943	12 194 760
Financial Services	758 025		758 025	62 594	-		-115 193	705 425	414 277	97 565	-115 193	396 649	308 776	343 748
Stores	15 869		15 869	-	-		-10 656	5 213	12 371	163	-10 656	1 877	3 336	3 498
Administration	3 974 983		3 974 983	11 652	-		-123 450	3 863 184	1 892 550	180 715	-123 450	1 949 814	1 913 370	2 082 433
Housing services	19 199 631		19 199 631	19 011	-		-2 689 007	16 529 635	1 366 600	91 803	-366	1 458 037	15 071 598	17 833 032
Planning and Development	129 962		129 962	12 383	-		-1 037	141 308	44 112	24 377	-1 037	67 452	73 857	85 850
	175 977 640	22 701 007	198 678 647	32 791 586	-22 701 007	98 067 616	-3 240 637	303 596 204	34 703 702	10 889 541	-551 996	45 041 247	258 554 957	163 974 946



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## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### APPENDIX D : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

	2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R	2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R
Council General	17 097 675	11 010 219	6 087 455	44 282 517	42 832 277	1 450 240
Financial Services	183 000 623	16 396 685	166 603 938	58 509 499	20 580 494	37 929 005
Technical Services	6 618 456	45 021 789	-38 403 334	30 763 079	30 044 055	719 024
Corporate Services	133 530	9 762 376	-9 628 846	4 077 576	8 374 041	-4 296 466
Community Services	11 513 346	24 269 505	-12 756 159	14 535 816	22 622 290	-8 086 474
Planning and Development	729 094	4 040 343	-3 311 249	2 299 341	3 469 341	-1 170 000
Total	<b>219 092 724</b>	<b>110 500 919</b>	<b>108 591 805</b>	<b>154 467 828</b>	<b>127 922 499</b>	<b>26 545 329</b>



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## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### APPENDIX E1 : ACTUAL COMPARED WITH REVENUE AND EXPENDITURE

	Actual 2010 R	Budget 2010 R	Variance 2010 R	Variance 2010 %
<b>REVENUE</b>				
Property rates	45 473 217	45 349 867	123 350	0.27%
Property rates: penalties imposed & collection charges	2 995 973	2 600 000	395 973	13.22%
Service charges	6 319 417	6 270 334	49 083	0.78%
Rental of facilities and equipment	3 240 806	3 748 900	-508 094	-15.68%
Interest earned- external investments	22 329 410	7 033 500	15 295 910	68.50%
Fines	889 640	1 689 670	-800 030	-89.93%
Licences and permits	5 029 220	5 113 300	-84 080	-1.67%
Government grants and subsidies	129 500 389	23 272 483	106 227 906	82.03%
Other income	3 552 913	3 370 986	181 927	5.12%
Public contributions and donations	-	-	-	-
Profit from the sale of council property	-	-	-	-
<b>Total Revenue</b>	<b>219 330 985</b>	<b>98 449 040</b>	<b>120 881 945</b>	<b>55.11%</b>
<b>EXPENDITURE</b>				
Council General	11 010 219	12 644 998	-1 634 779	-14.85%
Financial Services	16 396 685	14 278 760	2 117 925	12.92%
Technical Services	45 021 789	30 589 461	14 432 328	32.06%
Corporate Services	9 762 376	10 150 318	-387 942	-3.97%
Community Services	24 269 505	27 176 306	-2 906 801	-11.98%
Planning and Development	4 040 343	3 591 392	448 951	11.11%
<b>Total Expenditure</b>	<b>110 500 919</b>	<b>98 431 235</b>	<b>12 069 684</b>	<b>10.92%</b>
<b>NET SURPLUS/ (DEFICIT) FOR THE YEAR</b>	<b>108 830 067</b>	<b>17 805</b>	<b>108 812 262</b>	<b>99.98%</b>



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## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### APPENDIX E2 : ACTUAL VERSUS BUDGET - ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

	2010 Total Additions R	2010 Budget R	2010 Variance R	2010 Variance %
Council General	214 267	218 213	3 946	1.81%
Financial Services	41 901	70 112	28 211	40.24%
Technical Services	94 234 066	108 819 376	14 585 310	13.40%
Corporate Services	114 898	112 809	-2 089	-1.85%
Community Services	13 526 993	13 314 468	-212 525	-1.60%
Planning and Development	26 070	12 560	-13 510	-107.56%
	<u>108 158 195</u>	<u>122 547 538</u>	<u>14 389 343</u>	<u>11.74%</u>



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TOGETHER BUILDING UNITY – SIYAKHISANA – TESAME BOU ONS EENHEID

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APPENDIX F : DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	RECEIPTS					EXPENDITURE				Bal 30.06.2010	Grants and Subsidies Delayed or withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest	reason for non-compliance
		Total 01.07.2009	July to Sept	Oct to Dec	Jan to Mar	April to June	July to Sept	Oct to Dec	Jan to Mar	April to June					
			1	2	3	4	1	2	3	4					
Renaissance Project	KZN Dept of Housing	-352 973					12 190	15 930			-324 853	Nil	NA	Yes	NA
Capacity Development	DTLGA	-14 620							14 620		0	Nil	NA	Yes	NA
GIS Capacity Building	DTLGA	-150 658					150 658				0	Nil	NA	Yes	NA
Skills Training Centre	DTLGA	-195 364					10 201	10 286	5 463		-169 414	Nil	NA	Yes	NA
Spatial Development LUMS	DTLGA	-25 088					700	20 000	4 388		0	Nil	NA	Yes	NA
Land Use Management System	DTLGA	-3 920					3 920				0	Nil	NA	Yes	NA
Municipal Infrastructure Grant	National Treasury	-7 177 076	-2 500 000	-500 000	-3 821 000	-649 000	1 031 987	1 602 687	2 972 712.00	2 307 135	-6 732 555	Nil	NA	Yes	NA
Municipal Infrastructure Grant Flood Damage	National Treasury	-347 875 852					4 316 973	20 259 890	12 873 778	54 242 533	-256 182 678				
MIG Tidal Surge	National Treasury	-2 189 807					409 191	281 902			-1 498 714	Nil	NA	Yes	NA
Umdoni Tourist Plan	European Community Grant	3 556									3 556	Nil	NA	Yes	NA
Umdoni Industrial Development	European Community Grant	-50 083									-50 083	Nil	NA	Yes	NA
Umdoni SMME	European Community Grant	-65 491									-65 491	Nil	NA	Yes	NA
Agricultural Dev Stat	European Community Grant	-16 462									-16 462	Nil	NA	Yes	NA
Umdoni Bus Ret & Exp	European Community Grant	-25 382									-25 382	Nil	NA	Yes	NA
Environmental Management Practice	KZN Agric & Env Affairs	-6 703			-150 000			8 932			-147 771	Nil	NA	Yes	NA
Malangeni Library	KZN Library Services	-676 676	-2 805 736	-1 470 020			1 780 122	2 522 866	133 550	469 467	-46 427	Nil	NA	Yes	NA
Scottburgh Library Internet	KZN Library Services	-85 200					11 356	19 725	13 150	27 030	-13 939	Nil	NA	Yes	NA
SETA	Local gov Seta	-67 434	-14 153	-76 885	-58 554	-32 699	13 433	14 104	17 769	148 042	-56 377	Nil	NA	Yes	NA
Finance Management Grant	National Treasury	-217 525	-750 000		-750 000		316 701	193 823	207 311	209 849	-789 841	Nil	NA	Yes	NA
MSIG	National Treasury	-278 895		-735 000			895 271	13 500	15 604	67 513	-22 007	Nil	NA	Yes	NA
Communal Gardens Upgrade (LED)	Old Mutual	-96 739		-250 000		-250 000	90 972	110 000	141 442		-254 325	Nil	NA	Yes	NA
Malangeni Library - Cybercadet	DTLGA	-			-78 900						-78 900	Nil	NA	Yes	NA
Strategic Env Assess	Ugu District Municipality	-725 000									-725 000	Nil	NA	Yes	NA





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APPENDIX F : DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	RECEIPTS					EXPENDITURE				Bal 30.06.2010	Grants and Subsidies Delayed or withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest	reason for non-compliance
		Total 01.07.2009	July to Sept	Oct to Dec	Jan to Mar	April to June	July to Sept	Oct to Dec	Jan to Mar	April to June					
			1	2	3	4	1	2	3	4					
Tourist Development	Ugu District Municipality	-114 319		-9 361				1 047		3 600	-119 033	Nil	NA	Yes	NA
Sustainable Livelihood	Ugu District Municipality	-11 473						8 798	2 675		0	Nil	NA	Yes	NA
Flagship Feasibility Study	Ugu District Municipality	-259 800						188 461	10 000	61 339	0	Nil	NA	Yes	NA
Youth Development	Ugu District Municipality	-114 733					56 213	57 475	54 402	50 833	104 190	Nil	NA	Yes	NA
IDP Review Grant	DTLGA	-		-51 000		-100 000		45 600		2 933	-102 467	Nil	NA	Yes	NA
Disaster Centre	DTLGA	-		-3 000 000				1 496 380	2 982	592 262	-908 376	Nil	NA	Yes	NA
		-360 793 715	-6 069 889	-6 092 266	-4 858 454	-1 031 699	9 099 888	26 871 406	16 469 846	58 182 536	-268 222 347				